

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

PURCHASED WATER ADJUSTMENT FILING OF)	CASE NO.
PEAKS MILL WATER DISTRICT)	2017-00440

ORDER

On November 20, 2017, Peaks Mill Water District ("Peaks Mill") applied for approval to adjust its rates pursuant to the purchased water adjustment procedure.¹

The Commission notes that in its 2016 Annual Report Peaks Mill reported a water loss of 32.6694 percent.² Peaks Mill's application provides updated purchases and sales information for a more current period than the 2016 Annual Report. Commission regulation 807 KAR 5:066, Section 6(3), states that for ratemaking purposes a utility's unaccounted-for water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by a utility in its own operations. Based upon the updated information in the application and the percentage of other water consumed by the utility in its 2016 Annual Report,³ Peaks Mill's unaccounted-for water loss is determined to be 22.3854 percent for the updated period.⁴

¹ KRS 278.015; 807 KAR 5:068.

² 2016 Annual Report at 56.

³ 2016 Annual Report, line 21, divided by line 4, (4,095 divided by 88,465) equals 4.63 percent.

⁴ Total Purchases (application PWA Form 1 at 2)	76,339,697
Less Total Sales (application PWA Form 1 at 2)	55,717,000
Less plant use (% determined from 2015 AR)	<u>3,533,726</u>
Water loss - gallons	17,088,971
Water loss - percent	22.3854

Reduction of Peaks Mill's unaccounted-for water loss to 15 percent would result in an approximate \$15,560⁵ decrease to purchased water expense. Potentially, Peaks Mill is paying \$0.28 per 1,000 gallons sold, for expenses associated with unaccounted-for water loss in excess of the allowable 15 percent⁶ threshold.

The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold and strongly encourages Peaks Mill to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Peaks Mill to make significant process towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility.

The Commission, having reviewed the record and being sufficiently advised, finds that:

1. Peaks Mill purchases water from the Frankfort Electric & Water Plant Board ("Frankfort") and Kentucky American Water Company ("Kentucky-American").
2. Frankfort notified Peaks Mill that its wholesale rate would increase from \$2.45 per 1,000 gallons to \$2.55 per 1,000 gallons effective November 1, 2017.⁷ Peaks Mill proposes to increase the water rates to its customers effective December 1, 2017, to reflect the increased cost of purchased water from Frankfort.

⁵ Water loss above 15 percent is 7.3854 percent, Potential purchased water expense reduction (Total water cost at new wholesale rate times water loss above 15 percent) = \$15,560

⁶ Potential purchased water expense reduction divided by sales (\$15,560/(55,717,000/1,000) equals \$0.28/1,000.

⁷ See Case No. 2014-0254, *Proposed Adjustment of the Wholesale Water Service Rates of Frankfort Electric and Water Plant Board, Parties Joint Settlement Stipulation and Recommendation* (filed Oct. 10, 2014).

3. Peaks Mill proposed a purchased water adjustment factor of \$0.14 per 1,000 gallons.

4. During the 12 months ended August 31, 2017, Peaks Mill purchased 75,862,700 gallons of water from Frankfort and 476,997 gallons of water from Kentucky-American. During the same period, Peaks Mill sold 55,717,000 gallons of water. The increase in the cost of purchased water is \$7,586.27, resulting in a purchased water adjustment factor of \$0.14 per 1,000 gallons.

5. The purchased water adjustment factor of \$0.14 per 1,000 gallons, as calculated in Appendix A to this Order, is fair, just, and reasonable and should be approved.

6. Peaks Mill's proposed rates, as set forth in Appendix B to this Order, are fair, just and reasonable and should be approved for water service rendered by Peaks Mill on and after November 12, 2017.

IT IS THEREFORE ORDERED that:

1. The purchased water adjustment factor of \$0.14 per 1,000 gallons is approved.

2. The rates as set forth in Appendix B to this Order are approved for water service rendered by Peaks Mill on and after November 12, 2017.

3. Within 20 days of the date of this Order, Peaks Mill shall file with the Commission, using the Commission's electronic Tariff Filing System, revised tariff sheets showing the rates approved herein.

By the Commission

ENTERED
DEC 13 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2017-00440

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
 COMMISSION IN CASE NO. 2017-00440 DATED **DEC 13 2017**

	New Rate	Base Rate
Frankfort		
Purchases in gallons	75,862,700	75,862,700
Wholesale rate	<u>\$ 2.55/1,000</u>	<u>\$ 2.45/1,000</u>
Total	\$193,449.89	\$185,863.62
Purchases in gallons	75,862,700	75,862,700
Frankfort KRA fee	<u>\$ 0.20/1,000</u>	<u>\$ 0.20/1,000</u>
Total	\$15,172.54	\$15,172.54
Kentucky-American		
Purchases in gallons	476,997	476,997
Wholesale rate	<u>\$ 4.3255/1,000</u>	<u>\$ 4.3255/1,000</u>
Total	\$2,063.25	\$2,063.25
Total Cost	\$210,685.68	\$203,099.41
Increased water cost		\$ 7,586.27
Increased water cost		\$ 7,586.27
Divided by gallons sold/1,000		<u>55,717,000</u>
Purchased water adjustment factor		\$ 0.136 per 1,000 gallons
		or \$ 0.14 per 1,000 gallons

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2017-00440 DATED **DEC 13 2017**

The following rates and charges are prescribed for the customers in the area served by Peaks Mill Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

First	2,000 Gallons	\$28.08 Minimum Bill
Next	3,000 Gallons	9.73 per 1,000 Gallons
Next	5,000 Gallons	8.51 per 1,000 Gallons
Over	10,000 Gallons	7.29 per 1,000 Gallons

*Church Quarles
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